

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201507035**  
Release Date: 2/13/2015  
Date: 11/18/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

**UIL 4945.04-04**

B= Name  
C= Name  
D= Location  
E= Name  
F= Name  
G= Name

x dollars = Amount  
y = Number

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called C. You engage in charitable activities by enhancing access to higher education. Specifically, you will

provide scholarships to worthy, needy and ambitious students residing in the geographical area of D to further their education at secondary schools, and at universities including professional schools and post graduate education.

Grants funded by you will be administered, supervised, and paid out by B. B is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization. You will make annual contributions to B to fund scholarships annually. The amount of each award is generally at least x dollars and is dependent upon the amount available you are required to annually distribute needed to satisfy Code Section 4942.

B will promote C to schools in the D area using fliers and posters as well as by posting information about C on its website. In addition, applications and their instructions are available on B's website; the applications are sent directly to B.

To be eligible, applicants must be a United States citizen or legal resident, a graduate of any private or charter school located in D or a graduate of a high school from E, F, or G Unified School district in D and currently enrolled in undergraduate or graduate study at an accredited two or four year college, university or vocational technical school for an entire academic year.

Applicants must submit detailed biographical information including lists of activities, awards, work experience, other scholarships and financial information from their individual and their parents Form 1040 if the applicant is a dependent. Applicants must also provide transcripts and have a high school or college counselor or advisor, an instructor or work supervisor complete an outside appraisal. Incomplete applications will not be considered.

B will evaluate the applicants and select recipients based on the academic record, demonstrated leadership and participation in school and community activities, unusual or family circumstances, honors, work experience and the outside appraisal. Financial need will be calculated by B and must be demonstrated to receive an award. All awards are made on an objective and nondiscriminatory basis. No scholarship will be awarded to any disqualified person as defined in Code Section 4946. In no instance does your trustee play a part in the selection.

Awards are not renewable but students may reapply as long as they meet the renewal eligibility criteria. To qualify, they must maintain a grade point average of at least y, continue to show financial need and continue to further their education at secondary schools, at universities, including professional schools for post graduate education.

B will notify the recipients by early summer and will send a letter to each recipient's university/college specifying the university/college's acceptance of funds constitutes their agreement to notify you if the recipient fails to meet any term or condition of the scholarship. Upon acceptance, B will make payments in two installments directly to the recipient's school for the recipient's benefit. Recipients are required to notify B of any

changes in address, school enrollment or other relevant information and to send B a complete transcript when requested. B will maintain books and records, case histories of all recipients who receive grants or contributions from you; the case histories include the names/addresses of each recipient, the purpose of the grant and amount of each grant to each recipient, as well as the manner of selection of each recipient.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

#### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures do not differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You may report any significant changes to your program by completing Form 8940 and sending it to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director of Exempt Organizations